

Message Text

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ACTION EB-11

INFO OCT-01 RSR-01 IO-12 ADP-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-02 H-02 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15

STR-08 TAR-02 TRSE-00 USIA-12 PRS-01 OMB-01 AF-10

ARA-11 EA-11 EUR-25 NEA-10 /220 W

----- 116372

R 191750 Z APR 73

FM USMISSION GENEVA

TO SECSTATE WASHDC 8908

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS UNN

USMISSION OECD PARIS

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PASS STR

E. O. 11652: N/A

TAGS: ETRD, GATT, US, EC

SUBJECT: ARTICLE 24:6 RENEGOTIATIONS

BEGIN SUMMARY: PART I OF THIS MESSAGE SUMMARIZES CURRENT
STATUS OF US- EC TECHNICAL WORK ON 24:6. PART II LISTS
POLICY OR IMPORTANT PROCEDURAL DIFFERENCES BETWEEN US
AND EC THAT HAVE SURFACED THUS FAR. PART III OUTLINES
COURSE OF ACTION USDEL INTENDS PURSUE. END SUMMARY
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PART I. STATUS OF EXAMINATION OF US CLAIMS IN SCHEDULES
OF ACCEDING COUNTRIES.

1. TECHNICAL EXAMINATION OF US CLAIMS IN ACCEDING
COUNTRIES SCHEDULES NOW ESSENTIALLY COMPLETED. SEVERAL
AGRICULTURAL PRODUCT CATEGORIES INVOLVING POLICY ISSUES HAVE
NOT YET BEEN ADDRESSED, E. G. GRAINS, AND THERE IS DISAGREE-
MENT ABOUT VALIDITY OF US CLAIM ON WITHDRAWAL UK TOBACCO
CONCESSION. THERE IS ALSO A TECHNICAL PROBLEM ABOUT
EDIBLE DATES AND NUTS AND A FEW TECHNICAL PROBLEMS REMAIN
TO BE RESOLVED IN INDUSTRIAL SECTOR.

2. EC HAS TENTATIVELY ACCEPTED 89 PERCENT (\$269.3 MILLION) OF
US AGRICULTURAL CLAIMS. THESE FIGURES DO NOT INCLUDE
AN UPWARD ADJUSTMENT TO TAKE ACCOUNT OF QUOTAS IN UK AND
DENMARK AND VARIABLE LEVIES IN UK. EC CLAIMS PRINCIPAL
SUPPLYING RIGHTS INSTEAD OF US FOR \$9.5 MILLION OR 3.1 PERCENT
OF TOTAL AGRICULTURAL CLAIM. US PRINCIPAL SUPPLIER CLAIMS DENIED
BY EC IN FAVOR OF THIRD COUNTRY PREFERENTIAL SUPPLIER FOR \$11.0
MILLION OR 3.7 PERCENT OF TOTAL. EC REFUSED RECOGNIZE US SUB-
STANTIAL SUPPLIER CLAIMS FOR \$2.8 MILLION, 0.9 PERCENT OF TOTAL
US AGRICULTURAL CLAIMS. EC REFUSED TO RECOGNIZE US INR
CLAIM IN \$8.5 (TOBACCO) OR 2.8 PERCENT OF TOTAL.

3. TOTAL US CLAIMS IN INDUSTRY \$660 MILLION. ALL
EXAMINED EXCEPT \$43 MILLION PENDING RECEIPT OF FURTHER
DATA FROM ACCEDING COUNTRIES. EC HAS TENTATIVELY AGREED
ON ONLY 42 PERCENT OF US CLAIMS. EC RECOGNIZED ITSELF AS PRIN-
CIPAL SUPPLIER INSTEAD OF US FOR \$222 MILLION OR 34 PERCENT
OF TOTAL. US SUPPLIER CLAIMS DENIED BY EC IN FAVOR OF
THIRD COUNTRY PREFERENTIAL SUPPLIER FOR \$88 MILLION, 13 PERCENT
OF TOTAL. EC REFUSED RECOGNIZE US SUBSTANTIAL INTEREST
FOR \$30 MILLION, 5 PERCENT OF TOTAL, USING EC'S UNILATERALLY
DECLARED CRITERIA OF 10 PERCENT OF ACCEDING COUNTRY MARKET.

4. IN INDUSTRY THE FOLLOWING TECHNICAL PROBLEMS REMAIN:
EC INABILITY TO CONFIRM US TRADE DATA ON THAT PART OF
ACCEDING COUNTRY TARIFF ITEM THAT WILL FACE HIGHER CXT
RATE RESULTING IN AGREEMENT ONLY ON TOTAL IMPORTS FROM
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INFO OCT-01 EUR-25 IO-12 ADP-00 AGR-20 CEA-02 CIAE-00

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STR-08 TAR-02 TRSE-00 USIA-12 PRS-01 OMB-01 AF-10

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TO SECSTATE WASHDC 8909

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

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(B) INCLUDING EC OF SIX AMONG SUPPLIERS MAKES IT MORE
DIFFICULT FOR US TO QUALIFY AS SUPPLYING AT LEAST 10 PERCENT
OF ACCEDING COUNTRY IMPORTS.

4. DISPUTED AREA 1(B) INVOLVES ABOUT 13 PERCENT OF TOTAL US
INDUSTRIAL CLAIMS AND 2.4 PERCENT OF AGRICULTURAL CLAIMS. ISSUE
HERE CENTERS ON WHETHER US IS ENTITLED TO BE PRINCIPAL SUPPLIER
OF ITEMS WHOSE CONCESSION RATES OF DUTY ARE BEING WITHDRAWN WHEN
A NON- MFN THIRD COUNTRY SUPPLIES MORE TRADE. THESE THIRD
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COUNTRIES INCLUDE COMMONWEALTH PLUS GREECE, TURKEY, SPAIN
AND ISRAEL.

5. DISAGREED US " SUBSTANTIAL SUPPLIER" CLAIMS PRESENTLY
ACCOUNT FOR ONLY \$31 MILLION OR ABOUT 3 PERCENT OF ALL US CLAIMS
BUT MAY GO MUCH HIGHER. AT OUTSET OF TECHNICAL TALKS, EC
SAID IT INTENDED TO APPLY A CUT- OFF OF 10 PERCENT AS CRITERION
FOR DETERMINING WHETHER A CP CAN CLAIM TO BE A SUBSTANTIAL
SUPPLIER. WE DID NOT ACCEPT AND NOTED NO SUCH RULE IS
SPECIFIED EITHER IN GATT RULES OR PRACTICE. DURING

PAST FEW DAYS, EC REPS INCLUDING LUYTEN HAVE MATERIALLY TOUGHENED THEIR POSITION BY DECLINING TO CONFIRM VALIDITY OF ANY RPT ANY SUBSTANTIAL SUPPLIER CLAIM UNTIL ALL CLAIMS OF ALL COUNTRIES NEGOTIATING WITH EC HAVE BEEN EXAMINED IN ORDER TO ASCERTAIN HOW MANY COUNTRIES ARE CLAIMING SUBSTANTIAL SUPPLIER RIGHTS IN EACH ITEM. EC TECHNICIANS SAY EC WILL ACKNOWLEDGE ONLY ONE OR TWO SUBSTANTIAL SUPPLIERS FOR ANY ITEM. MOREOVER, RECONSIDERATION OF 10 PERCENT RULE IS REPORTEDLY UNDERWAY IN BRUSSELS TO FURTHER REDUCE THE NUMBER OF COUNTRIES QUALIFYING AS SUBSTANTIAL SUPPLIERS.

6. EC UNWILLINGNESS TO FINALIZE STATUS OF US CLAIMS. USDEL HAS BEEN PRESSING EC TECHNICAL TEAM TO MOVE PROMPTLY INTO EXAMINATION OF US CLAIMS IN TERMS OF CXT, A NECESSARY STEP TO TAKE INTO ACCOUNT REDUCTIONS IN THE CORRESPONDING DUTY IN ONE OF MORE MEMBER STATES (I. E. " INTERNAL COMPENSATION" EXERCISE IN ORDER TO PUT US CLAIMS ON NET RATHER THAN GROSS BASIS). EC TEAM HAS CLAIMED COMPUTER BREAKDOWN IN LUXEMBOURG REQUIRED DEFERRAL OF THIS PART OF EXERCISE UNTIL AFTER EASTER. EFFORTS TO PREPARE AGREED SUMMARY NOTES ON STATUS OF WORK THUS FAR BROUGHT TO LIGHT EC POSITION DESCRIBED PARA 5 ABOVE THAT ALL SUBSTANTIAL SUPPLIER CLAIMS ARE " UNDER CONSIDERATION" RATHER THAN EITHER AGREED OR DISAGREED. IN PRIVATE DISCUSSION WITH PROPOS, LUYTEN MADE IT CLEAR HE DOES NOT INTEND TO SIGN OFF NOW ON ANY PAPER WHICH WOULD ESTABLISH AN AGREED AREA OF US CLAIMS. EC WISHES TO PROCEED TO EXAMINE EC OFFER, I. E. ENTIRE CXT ITEM BY ITEM TO CHECK (AND SEEK AGREEMENT WITH US) ON DEBITS AND CREDITS TO US IN CXT, THUS FORECLOSING POSSIBILITY OF ASSESSING DEBITS BEFORE CREDITS ARE ALSO TAKEN INTO ACCOUNT. LUYTEN HOPES BE LIMITED OFFICIAL USE

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ABLE BEGIN SHORTLY AFTER EASTER. IN THIS ASSESSMENT, DEBITS AND CREDITS WOULD BE ASSESSED IN TERMS OF TRADE WITH THE NINE (HERE LUYTEN SAID THAT ONE SHOULD CONSIDER THE SCHEDULE OF THE SIX AS WITHDRAWN). FURTHERMORE, HE HOLDS PRELIMINARY PERSONAL VIEW THAT EC SHOULD OFFER INITIAL NEGOTIATION RIGHTS IN THE SCHEDULE OF THE ENLARGED EC TO THE PRINCIPAL SUPPLIER OF EACH ITEM TO THE ENLARGED EC.

7. TIMETABLE. PROPPS REMINDED LUYTEN OF EBERLE- SOAMES AGREEMENT IN BRUSSELS AND SUPPLEMENTARY UNDERSTANDING TO THAT EFFECT REACHED HERE THAT TECHNICAL WORK SHOULD BE FINISHED BY MAY 1. LUYTEN DID NOT DENY SUCH AGREEMENT BUT DOES NOT SEE HOW IT CAN BE CARRIED OUT. HE BELIEVES MONTH OF MAY SHOULD BE DEVOTED TO EXAMINATION OF CXT DEBITS AND CREDITS.

PART III. NEXT STEPS.

1. WE INTEND TO ASK LUYTEN WHO WILL RETURN GENEVA APRIL 24 TO MEET USDEL IN PLENARY SESSION (I. E. WITH MEMBER STATES WHO HAVE NOT BEEN ATTENDING TECHNICAL MEETINGS) ASAP. PURPOSE IS TO REVIEW CURRENT STATE OF WORK AND EXCHANGE PAPERS SHOWING RESULTS OF TECHNICAL DISCUSSIONS TO DATE; TRY FOR AGREEMENT ON PROCEDURE THAT WILL RESULT IN COMPLETION OF ALL STATISTICAL WORK ON US CLAIMS AS SOON AS POSSIBLE; AND CALL FOR EC TO TAKE FIRM POSITION ON EACH CLAIM. ALSO, US REP WILL EXPRESS FOLLOWING VIEWS:

(A) EC OF SIX CLAIM TO BE PRINCIPAL SUPPLIER TO ACCEDING COUNTRIES IS ABSURD AND MAKES MOCKERY OF WHOLE THRUST OF GATT, NAMELY THAT THERE SHOULD BE NEGOTIATIONS WITH AFFECTED CPS BEFORE BINDINGS ARE BREACHED; COUNTRIES WITH PRINCIPAL SUPPLYING AND SUBSTANTIAL INTEREST IN CONCESSIONS BEING WITHDRAWN ACT FOR ALL CPS IN THIS RESPECT.

(B) EC 10 PERCENT RULE FOR SUBSTANTIAL SUPPLIERS ARBITRARY AND UNREASONABLE, ESPECIALLY WHEN COUPLED WITH EC CLAIM TO BE PRINCIPAL SUPPLIER TO ITSELF.

2. WE WILL NOTIFY EC AND MEMBER STATES AT SAME MEETING THAT WE MAINTAIN US CLAIMS AND REQUEST URGENT RECONSIDERATION OF EC POSITION.

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3. IF EC INSISTS ON TURNING TO COMPREHENSIVE EXAMINATION OF CXT, WE INTEND SAY WE WILL BEGIN THIS EXAMINATION AS SOON AS POSSIBLE, SUBJECT TO CONDITION THAT US REQUESTS ARE ALSO EXAMINED SIMULTANEOUSLY. (FOR THIS, US REQUEST LIST MUST BE FINALIZED SOONEST. USDEL WOULD PROPOSE POSTPONEMENT OF EXAMINATION OF CXT PENDING RECEIPT OF INSTRUCTIONS, INCLUDING REQUEST LIST.) PURPOSE OF THIS PROPOSAL IS TO SHORT- CIRCUIT OBVIOUS EC DESIRE TO LEAVE EC POSITION ON US CLAIMS FUZZY WHILE SPECIFYING BENEFITS WE WILL OBTAIN FROM APPLICATION OF CXT TO THREE ACCEDING COUNTRIES.

4. WE SUGGEST US MISSIONS IN EC CAPITALS TREAT THIS MESSAGE AS BACKGROUND INFO AND FOR FUTURE REFERENCE AS SITUATION DEVELOPS. RIMESTAD

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COPENHAGEN
DUBLIN
EB
LONDON
LUXEMBOURG

SECSTATE WASHDC
THE HAGUE

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